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TO RUEHC/SECSTATE WASHDC IMMEDIATE 4895
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RUEHAR/AMEMBASSY ACCRA 3023
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C O N F I D E N T I A L SECTION 01 OF 02 HARARE 000726

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ADDIS ABABA FOR USAU
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STATE PASS TO USAID FOR J. HARMON AND L. DOBBINS

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SUBJECT: CHARGE'S MEETING WITH ELTON MANGOMA

Classified By: CDA Donald Petterson for reason 1.4 (d)

SUMMARY

¶1. (C) Minister of Economic Development Elton Mangoma on September 10 discussed current political and economic events with the Charge. He believes SADC is largely ineffective and that the MDC and Zimbabweans must rely on themselves. The constitutional process and other elements of the Global Political Agreement (GPA) are hampered because of inadequate funding. Negotiations toward an investment treaty with South Africa are proceeding slowly; the treaty is necessary to increase trade and build investor confidence. Indigenization laws, while off-putting to investors, are politically untouchable, but the MDC can effectively regulate them to allow investment. Finally, the MDC does not favor a suspension of the Kimberly Process as the government is moving to regularize the Chiadzwa fields. END SUMMARY.

¶2. (SBU) The Charge called on Minister of Economic Development Elton Mangoma at his office on September 10. Mangoma, who was one of the MDC negotiators of the GPA, remains part of Prime Minister Morgan Tsvangirai's inner circle.

No Help from SADC

¶3. (C) Noting that SADC had not conducted a six-month review of the GPA, as it indicated it would in its January Extraordinary Summit, Mangoma said he had had few expectations for the recently-concluded SADC Summit in Kinshasa. Many SADC leaders, like Mugabe, were dictators or belonged to dominant parties. The SADC Troika (of the Organ on Politics, Defence, and Security), which Mangoma believed would now consider GPA issues, might do what the Summit had not, but Mangoma was skeptical. Ultimately, it was up to the MDC and the Zimbabwean people to extricate Zimbabwe from its crisis.

No Funds for Constitutional Process

¶4. (C) Mangoma discussed the constitutional process and related processes established by the GPA: national healing and the establishment of commissions (media, electoral, human rights, and anti-corruption). He said all were hampered by a lack of funds. (NOTE: With regard to the constitution, UNDP has so far provided USD 2 million for a process that the Parliamentary Select Committee on the constitution has estimated will cost USD 11.2 million. ZANU-PF has taken the position, perhaps to stall the process, that funding should not come from donors. END NOTE.)

Investment and Indigenization

¶5. (C) Mangoma said that negotiations for a bilateral investment treaty with South Africa were proceeding slowly due to ZANU-PF stalling. Since the treaty would prohibit prospective expropriation, ZANU-PF was claiming it could reverse land reform, and was demanding an audit to determine how much land remained in white and South African hands (presumably to take more land before signing the treaty). Q(presumably to take more land before signing the treaty). Mangoma opined that the treaty would boost investor confidence, and that ZANU-PF was concerned that economic activity would increase despite continuing sanctions, thereby

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putting the lie to ZANU-PF's argument that sanctions rather than ZANU-PF policies were responsible for Zimbabwe's economic predicament.

¶6. (C) Mangoma commented that economic growth was important for the success of the MDC; failure of the economy to grow would strengthen ZANU-PF. He believed that development without assistance would be difficult, although he projected 5 percent growth for this year and 10 percent for next year.

¶7. (C) Acknowledging that laws requiring that 51 percent of investments be held by Zimbabweans could be a deterrent to investment, Mangoma said it would be politically impossible to repeal such laws. Nevertheless, he averred that his ministry could regulate investment so as to allow flexibility with regard to indigenization requirements.

Violence Still a Threat

¶8. (C) Mangoma stated economic reform was producing a salutary effect on violence; with dollarization and an end to printing money, there was less money available to pay youths and others who had been responsible. The danger of violence had not passed, however, and would continue to pose a threat as long as perpetrators had not been brought to justice and as long as there had been no reconciliation process between perpetrators and victims.

The Kimberly Process and Chiadzwa

¶9. (C) The government had set up an inter-ministerial task force that included the ministers of mines, (Obert Mpofu) finance (Tendai Biti), industry and commerce (Welshman Ncube), defense (Emmerson Mnangagwa) and economic development (Mangoma) to bring order to the Chiadzwa diamond fields, according to Mangoma. He said he and the others opposed suspension from the process because he was confident the task force could restore order -- suspending Chiadzwa alone would be difficult and would result in penalizing other areas, and

suspension of Zimbabwe as a whole would likewise penalize areas where there were no problems.

COMMENT

¶10. (C) Negotiations on an investment treaty with South Africa began after the formation of the inclusive government last February. Chiadzwa likewise has been a longstanding issue. Resolution of both these issues would bolster the economy and increase government revenues. The failure to resolve them is indicative of the ability of ZANU-PF to frustrate the good intentions of MDC-led ministries.

PETTERSON